

AMENDED IN ASSEMBLY MAY 7, 2014  
AMENDED IN ASSEMBLY APRIL 29, 2014  
AMENDED IN ASSEMBLY APRIL 24, 2014  
AMENDED IN ASSEMBLY APRIL 21, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1624**

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**Introduced by Assembly Member Gordon**

February 10, 2014

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An act to amend Section 379.6 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 1624, as amended, Gordon. Self-generation incentive program.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law, adopted during the energy crisis of 2000–01, required the Public Utilities Commission, in consultation with the Independent System Operator and the State Energy Resources Conservation and Development Commission, to adopt initiatives, on or before March 7, 2001, to reduce demand for electricity and reduce load during peak demand periods, including differential incentives for renewable or super clean distributed generation resources. Pursuant to this requirement, the commission adopted Decision 01-03-073, dated March 27, 2001, that established program incentives for demand-responsiveness and self-generation, collectively known as the self-generation incentive program, that were modified in later decisions.

Existing law authorizes the Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission, to authorize the annual collection of not more than the amount authorized for the self-generation incentive program in the 2008 calendar year, through December 31, 2014. Existing law requires the Public Utilities Commission to require electrical corporations to administer the program for distributed energy resources originally established pursuant to the above-described law until January 1, 2016, and to separately administer solar technologies pursuant to the California Solar Initiative. Existing law requires the Public Utilities Commission to provide repayment of all unallocated funds collected for the self-generation incentive program on January 1, 2016, to reduce ratepayer costs.

Existing law authorizes the Public Utilities Commission to allocate up to 15% of revenues received by an electrical corporation as a result of the direct allocation of greenhouse gas allowances to electrical distribution utilities for clean energy and energy efficiency projects that are administered by the electrical corporation and are not otherwise funded by another funding source.

This bill would require the Public Utilities Commission to require electrical corporations to administer the program for distributed energy resources originally established pursuant to the above-described law through and including December 31, 2021. The bill would require the Public Utilities Commission to allocate \$83 million from the above-described greenhouse gas allowance revenues for the self-generation incentive program. The bill would require the Public Utilities Commission to authorize the expenditure of unallocated funds collected from ratepayers before authorizing the expenditure of funds allocated from the greenhouse gas allowance revenues. The bill would require the Public Utilities Commission, beginning January 1, 2018, and each year thereafter until December 31, 2021, to reduce the total amount allocated to the program by 10% annually. ~~The bill would require the Public Utilities Commission to evaluate the self-generation incentive program's overall success and impact based on specified performance measures and to evaluate the self-generation incentive program's progress toward reducing barriers to the adoption of distributed energy resources and the self-generation incentive program's effectiveness in providing certain capabilities generally related to grid reliability.~~

Existing law limits eligibility for incentives under the self-generation incentive program to distributed energy resources that the Public Utilities Commission, in consultation with the State Air Resources Board, determines will achieve reductions in emissions of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006.

This bill would further limit eligibility for incentives under the self-generation incentive program to distributed energy resource technologies that the Public Utilities Commission determines meet specified additional requirements. The bill would require the commission to determine a capacity factor for each distributed-generation-system *energy resource technology* in the program. The bill would require the commission, ~~beginning March 1, 2017, and every year thereafter for as long as the program is providing incentives,~~ to review the level of incentives and the costs of the technologies that are receiving incentives to ensure that the program is more likely to fund those technologies that will meet the requirements of the program.

*This bill would require the Public Utilities Commission to evaluate the self-generation incentive program's overall success and impact based on specified performance measures and the self-generation incentive program's effectiveness in providing certain capabilities generally related to grid reliability.*

*This bill would require the Public Utilities Commission, on or before July 1, 2015, to update the factor for avoided greenhouse gas emissions based on certain information. The bill would require the Public Utilities Commission, in allocating funds between eligible technologies, to consider the relative amount and cost of certain factors. The bill would require recipients of the self-generation incentive program funds to provide to the Public Utilities Commission and the State Air Resources Board relevant data and would subject them to inspection to verify equipment operation and performance.*

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the program that is extended under the provisions of this bill is within the act and a decision or order of the commission implements the program requirements, a violation of these provisions would impose a state-mandated local program by expanding the definition of a crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 379.6 of the Public Utilities Code is  
2 amended to read:

3 379.6. (a) (1) It is the intent of the Legislature that the  
4 self-generation incentive program increase deployment of  
5 distributed generation and energy storage systems to facilitate the  
6 integration of those resources into the electrical grid, improve  
7 efficiency and reliability of the distribution and transmission  
8 system, and reduce emissions of greenhouse gases, peak demand,  
9 and ratepayer costs. It is the further intent of the Legislature that  
10 the ~~commission, in future proceedings,~~ *commission* provide for an  
11 equitable distribution of the costs and benefits of the program.

12 (2) (A) The commission, in consultation with the Energy  
13 Commission, may authorize the annual collection of not more than  
14 the amount authorized for the self-generation incentive program  
15 in the 2008 calendar year, through December 31, 2014.

16 (B) The commission shall require the administration of the  
17 program for distributed energy resources originally established  
18 pursuant to Chapter 329 of the Statutes of 2000 through and  
19 including December 31, 2021.

20 (C) Beginning January 1, 2015, and each year thereafter until  
21 December 31, 2021, the commission shall allocate up to  
22 eighty-three million dollars (\$83,000,000) from the funds allocated  
23 for clean energy programs pursuant to subdivision (c) of Section  
24 748.5 for the self-generation incentive program.

25 (D) Beginning January 1, 2015, the commission shall authorize  
26 the expenditure of unallocated funds collected pursuant to  
27 subparagraph (A) before authorizing the expenditure of funds  
28 allocated pursuant to subparagraph (C).

29 (E) Beginning January 1, 2018, and each year thereafter until  
30 December 31, 2021, the commission shall reduce the total amount  
31 allocated for the program by 10 percent annually.

1 (F) On January 1, 2022, all unallocated funds allocated pursuant  
2 to subparagraph (C) shall be subject to expenditure for the purposes  
3 of subdivision (c) of Section 748.5.

4 (3) The commission shall administer solar technologies  
5 separately, pursuant to the California Solar Initiative adopted by  
6 the commission in Decisions 05-12-044 and 06-01-024, as modified  
7 by Article 1 (commencing with Section 2851) of Chapter 9 of Part  
8 2 of Division 1 of this code and Chapter 8.8 (commencing with  
9 Section 25780) of Division 15 of the Public Resources Code.

10 (b) (1) Eligibility for incentives under the program shall be  
11 limited to distributed energy resources that the commission, in  
12 consultation with the State Air Resources Board, determines will  
13 achieve reductions in emissions of greenhouse gases pursuant to  
14 the California Global Warming Solutions Act of 2006 (Division  
15 25.5 (commencing with Section 38500) of the Health and Safety  
16 Code).

17 (2) *On or before July 1, 2015, the commission shall update the*  
18 *factor for avoided greenhouse gas emissions based on the most*  
19 *recent data available to the State Air Resources Board for*  
20 *greenhouse gas emissions from electricity sales in the*  
21 *self-generation incentive program administrators' service areas*  
22 *as well as current estimates of greenhouse gas emissions over the*  
23 *useful life of the distributed energy resource, including*  
24 *consideration of the effects of the California Renewables Portfolio*  
25 *Standard.*

26 (c) Eligibility for the funding of any combustion-operated  
27 distributed generation projects using fossil fuel is subject to all of  
28 the following conditions:

29 (1) An oxides of nitrogen (NO<sub>x</sub>) emissions rate standard of 0.07  
30 pounds per megawatthour and a minimum efficiency of 60 percent,  
31 or any other NO<sub>x</sub> emissions rate and minimum efficiency standard  
32 adopted by the State Air Resources Board. A minimum efficiency  
33 of 60 percent shall be measured as useful energy output divided  
34 by fuel input. The efficiency determination shall be based on 100  
35 percent load.

36 (2) Combined heat and power units that meet the 60-percent  
37 efficiency standard may take a credit to meet the applicable NO<sub>x</sub>  
38 emissions standard of 0.07 pounds per megawatthour. Credit shall  
39 be at the rate of one megawatthour for each ~~3.4 million~~ 3,400,000  
40 British thermal units (Btus) of heat recovered.

1 (3) The customer receiving incentives shall adequately maintain  
2 and service the combined heat and power units so ~~that~~ *that*, during  
3 operation, the system continues to meet or exceed the efficiency  
4 and emissions standards established pursuant to paragraphs (1)  
5 and (2).

6 (4) Notwithstanding paragraph (1), a project that does not meet  
7 the applicable NO<sub>x</sub> emissions standard is eligible if it meets both  
8 of the following requirements:

9 (A) The project operates solely on waste gas. The commission  
10 shall require a customer that applies for an incentive pursuant to  
11 this paragraph to provide an affidavit or other form of proof that  
12 specifies that the project shall be operated solely on waste gas.  
13 Incentives awarded pursuant to this paragraph shall be subject to  
14 refund and shall be refunded by the recipient to the extent the  
15 project does not operate on waste gas. As used in this paragraph,  
16 “waste gas” means natural gas that is generated as a byproduct of  
17 petroleum production operations and is not eligible for delivery  
18 to the utility pipeline system.

19 (B) The air quality management district or air pollution control  
20 district, in issuing a permit to operate the project, determines that  
21 operation of the project will produce an onsite net air emissions  
22 benefit, compared to permitted onsite emissions if the project does  
23 not operate. The commission shall require the customer to secure  
24 the permit prior to receiving incentives.

25 (d) In determining the eligibility for the self-generation incentive  
26 program, minimum system efficiency shall be determined either  
27 by calculating electrical and process heat efficiency as set forth in  
28 Section 216.6, or by calculating overall electrical efficiency.

29 ~~(e) In addition to the eligibility requirements specified in~~  
30 ~~subdivisions (b), (c), and (d), eligibility~~

31 *(e) Eligibility* for incentives under the program shall be limited  
32 to distributed energy resource technologies that the commission  
33 determines meet all of the following requirements:

34 (1) The distributed energy resource technology is capable of  
35 reducing demand from the grid by offsetting some or all of the  
36 customer’s onsite energy load, including, but not limited to, peak  
37 electric demand.

38 (2) The distributed energy resource technology is commercially  
39 available.

1 (3) The distributed energy resource technology safely utilizes  
2 the existing transmission and distribution system.

3 ~~(4) The distributed energy resource technology reduces~~  
4 ~~emissions of greenhouse gases.~~

5 ~~(5)~~

6 (4) The distributed energy resource technology improves air  
7 quality by reducing criteria air pollutants.

8 *(f) Recipients of the self-generation incentive program funds*  
9 *shall provide relevant data to the commission and the State Air*  
10 *Resources Board, upon request, and shall be subject to onsite*  
11 *inspection to verify equipment operation and performance,*  
12 *including capacity, thermal output, and usage to verify criteria*  
13 *air pollutant and greenhouse gas emissions performance.*

14 ~~(f)~~

15 (g) In administering the self-generation incentive program, the  
16 commission shall determine a capacity factor for each distributed  
17 ~~generation system~~ *energy resource technology* in the program.

18 ~~(g)~~

19 (h) (1) In administering the self-generation incentive program,  
20 the commission may adjust the amount of rebates and evaluate  
21 other public policy interests, including, but not limited to,  
22 ratepayers, energy efficiency, peak load reduction, load  
23 management, and environmental interests.

24 (2) *The commission shall consider the relative amount and the*  
25 *cost of greenhouse gas emission reductions, peak demand*  
26 *reductions, system reliability benefits, and other measurable factors*  
27 *when allocating program funds between eligible technologies.*

28 ~~(h)~~

29 (i) The commission shall ensure that distributed generation  
30 resources are made available in the program for all ratepayers.

31 ~~(i)-(1)~~

32 (j) In administering the self-generation incentive program, the  
33 commission shall provide an additional incentive of 20 percent  
34 from existing program funds for the installation of eligible  
35 distributed generation resources ~~from a California supplier~~.  
36 *manufactured in California.*

37 (2) ~~“California supplier” as used in this subdivision means any~~  
38 ~~sole proprietorship, partnership, joint venture, corporation, or other~~  
39 ~~business entity that manufactures eligible distributed generation~~

resources in California and that meets either of the following criteria:

(A) The owners or policymaking officers are domiciled in California and the permanent principal office, or place of business from which the supplier's trade is directed or managed, is located in California.

(B) A business or corporation, including those owned by, or under common control of, a corporation, that meets all of the following criteria continuously during the five years prior to providing eligible distributed generation resources to a self-generation incentive program recipient:

(i) Owns and operates a manufacturing facility located in California that builds or manufactures eligible distributed generation resources.

(ii) Is licensed by the state to conduct business within the state.

(iii) Employs California residents for work within the state.

(3) For purposes of qualifying as a California supplier, a distribution or sales management office or facility does not qualify as a manufacturing facility.

(j)

(k) The costs of the program adopted and implemented pursuant to this section shall not be recovered from customers participating in the California Alternate Rates for Energy (CARE) program.

(k)

(l) (1) The commission shall evaluate the overall success and impact of the self-generation incentive program based on the following performance measures:

(A) The amount of reductions of emissions of greenhouse gases.

(B) The amount of reductions of emissions of criteria air pollutants measured in terms of avoided emissions and reductions of criteria air pollutants represented by emissions credits secured for project approval.

(C) The amount of energy reductions measured in energy value.

(D) The amount of reductions of aggregate noncoincident customer peak demand.

(E) The ratio of the electricity generated by distributed energy resource projects receiving incentives from the program to the electricity capable of being produced by those distributed energy resource projects, commonly known as a capacity factor.



1 (F) The value to the electrical transmission and distribution  
2 system measured in avoided costs of transmission and distribution  
3 upgrades and replacement.

4 (G) The ability to improve onsite electricity reliability as  
5 compared to onsite electricity reliability before the self-generation  
6 incentive program technology was placed in service.

7 (2) In addition to evaluating the program based on the  
8 performance measures specified in paragraph (1), the commission  
9 shall also evaluate the program's effectiveness in providing  
10 frequency regulation, voltage support, demand reduction, peak  
11 shaving, ramp rate control, and other wholesale ancillary and grid  
12 reliability services.

13 (H)

14 (m) To ensure that the self-generation incentive program is more  
15 likely to fund those technologies that meet the requirements of this  
16 section, ~~beginning in March 1, 2017, and each year thereafter, as~~  
17 ~~long as the self-generation incentive program is providing~~  
18 ~~incentives~~, the commission shall review *annually* the level of  
19 incentives and the cost of the technologies that are receiving  
20 incentives and (1) allow incentive eligibility for new technologies,  
21 (2) remove incentive eligibility for technologies that have received  
22 incentives but have not met the requirements of this section, or (3)  
23 to remove incentive eligibility or reduce incentives for technologies  
24 that have received incentives and have reduced the emissions of  
25 greenhouse gases, but have not otherwise met ~~other the~~  
26 requirements of this section.

27 SEC. 2. No reimbursement is required by this act pursuant to  
28 Section 6 of Article XIII B of the California Constitution because  
29 the only costs that may be incurred by a local agency or school  
30 district will be incurred because this act creates a new crime or  
31 infraction, eliminates a crime or infraction, or changes the penalty  
32 for a crime or infraction, within the meaning of Section 17556 of  
33 the Government Code, or changes the definition of a crime within  
34 the meaning of Section 6 of Article XIII B of the California  
35 Constitution.